

Message Text

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ACTION NEA-10

INFO OCT-01 EUR-12 ISO-00 IO-13 AID-05 CIAE-00 COME-00
EB-07 FRB-03 INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02
OPIC-03 SP-02 CIEP-01 LAB-04 SIL-01 OMB-01 NSC-05
SS-15 STR-04 CEA-01 L-03 PA-01 PRS-01 /108 W
----- 009727 /50 45

R 151205Z DEC 76
FM AMEMBASSY JIDDA
TO SECSTATE WASHDC 6592
INFO AMCONSUL DHAHRAN
AMEMBASSY THE HAGUE
AMEMBASSY LONDON

LIMITED OFFICIAL USE JIDDA 8049
E.O. 11652: N/A
TAGS: EFIN, SA, US
SUBJECT: SAUDIFICATION OF BANKS

REFS: (A) JIDDA 4861, (B) JIDDA 4071

1. COUNCIL OF MINISTERS LAST WEEK APPROVED ARTICLES OF ASSOCIATION OF SAUDI DUTCH BANK (SDB), SUCCESSOR IN SAUDI ARABIA OF ALGEMENE BANK NEDERLANDS. DUTCH BANK MANAGER EXPECTS "SAUDIFICATION" TO BE COMPLETED EARLY NEXT YEAR WITH ISSUANCE OF ROYAL DECREE APPROVING NEW CHARTER, FOLLOWED BY PUBLIC ISSUE OF STOCK. SDB WILL BE 40 PERCENT OWNED BY ALGEMENE BANK, WHICH WILL RETAIN MANAGEMENT CONTRACT. SAUDI SHARE TO BE SPLIT 24 PERCENT TO GROUP OF 13 OR SO "FOUNDERS" - LARGELY PRINCES AND LARGE MERCHANTS, AND 36 PERCENT PUBLIC ISSUE. CAPITALIZATION, WHICH IS NOW 25 MILLION SR, WILL ONLY BE INCREASED TO 35 MILLION.

2. ALGEMENE BANK ITSELF PROPOSED SAUDIFICATION OVER THREE YEARS AGO AND IS WILLING PARTNER IN THIS. BRITISH BANK OF MIDDLE EAST, WHICH ACCEPTED PRINCIPLE OF SAUDIFICATION EARLIER THIS YEAR, HAS ONLY BEGUN SERIOUS NEGOTIATIONS RECENTLY AND SEEMS TO BE PLAYING FOR TIME. FIRST NATIONAL CITY BANK REMAINS SOLE MAJOR HOLDOUT TO SAUDIFICATION PUSH. CITIBANK OFFICERS TELL US SAG HAS NEVER RESPONDED FORMALLY TO BANK'S PROPOSAL FOR NEW, SEP-
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ARATE, JOINT BANK (WHICH WOULD LEAVE CURRENT CITIBANK

OPERATION INTACT), AND NEGOTIATIONS ARE CURRENTLY IN LIMBO.
ALTHOUGH CITIBANK OFFICERS ARE APPREHENSIVE OVER EXPECTED
SAG INCREASE IN PRESSURE TO ACCEPT SAUDIFICATION, THEY ARE
MAKING MINEY IN INTERIM AND ARE HOPING TO DELAY THE MOMENT
OF TRUTH.
PORTER

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NNN

Message Attributes

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